

# Finance Policy v1.1



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## Kantara Initiative - Finance Policy Version 1.1

### **1. Definitions.**

**1.1. Fiscal Year.** Kantara Initiative operates on a calendar year basis.

**1.2. Budget Preparation.** The Treasurer and Executive Director, with assistance from the Budget Preparation Committee (BPC) and the Finance Committee, prepares an annual budget for approval by the Board of Trustees ("Board"). Budgets will have a reasonable amount of written substantiation (including definition) to support the line items.

**1.3. Forecasts.** At least as frequently as the end of each calendar quarter, the Treasurer and Executive Director will prepare a revised full-year forecast for Board review (the original budget will not be changed). This report will provide the Board with current information regarding actual expenditures and income vs. original budget and a reforecast of planned expenditures and income for the remaining months of the budget year.

**1.4. Budget Managers.** The Treasurer and Executive Director will appoint a Budget Manager for each line item of the approved budget. The Budget Managers have first level responsibility for the approval of all expenditures of Kantara Initiative funds associated with their assigned line items. Financial Services is responsible to ensure no funds are dispersed that are not approved in accordance with rules defined in the "Approvals" section of this Policy.

The Treasurer shall provide Financial Services with the annual budget, the specific Budget Manager assigned to each expense line item, and the contact information for each Budget Manager. A Budget Manager may be either a Kantara Initiative contractor or a Kantara Initiative Member.

**1.5. Revenue and Income Recognition.** Membership Fee revenue is recorded when a Membership Fee invoice is issued. The corresponding income will be recognized as Kantara Initiative Income over the Member's Membership Year (1/12th per month).

**1.6. Annual Audit.** There shall be an annual audit of Kantara Initiative finances conducted by an independent auditor. Results of the audit shall be distributed to the Board of Trustees and to any Member requesting a copy.

### **2. Approval Authorities.**

Any obligation or payment of Kantara Initiative funds must be approved, as defined in this section, prior to execution.

#### **2.1. Contracts.**

**2.1.1.** The Executive Director, the Secretary, and the Treasurer are the only persons authorized to approve contracts for Kantara Initiative.

**2.1.2.** Contracts that exceed \$10,000 in value must have two (2) separate approvers. In the absence of any two parties listed in 2.1.1. above, the President or Vice-President may provide the second approval.

**2.1.3.** Once approved, the contract is executed by the Executive Director, or in the absence of the Executive Director, by an elected Officer of Kantara Initiative.

**2.1.4.** No Kantara Initiative contractor, Member, or Participant may imply any commitment of Kantara Initiative funds without clear prior approval as detailed above.

#### **2.2. Disbursements**

**2.2.1.** The Budget Manager conducts the first-level review and approval for all expenses to be charged to his/her assigned line item(s). Vendors and contractors submit monthly invoices, as appropriate, to the Budget Manager. Invoices for services provided in the previous month must be submitted no later than the 15th of the following month. Upon approval, the Budget Manager electronically sends the invoice to Financial Services for payment specifying which budget line item to charge. Financial Services may not pay any bill without an associated budget line item.

**2.2.2.** The Executive Director and Treasurer shall be copied on all invoice approvals submitted by the Budget Managers to Financial Services for payment.

**2.2.3.** Expense items up to \$5000 require only the Budget Manager's approval. When the Budget Manager is the Executive Director, this limit is raised to \$15,000.

**2.2.4.** Expenses that exceed the limits established in 2.2.3 must be approved by both the Budget Manager and the Executive Director. When the Executive Director is the Budget Manager, the second level approver is the Treasurer (or the Secretary in the Treasurer's absence).

**2.2.5.** All expenses in excess of \$15,000 must be approved by the Treasurer (or the Secretary in the Treasurer's absence) in addition to all cumulative approvals required by 2.2.4. When the Treasurer is also the Budget Manager, the second level approver is the Executive Director (or the Secretary in the Executive Director's absence).

**2.2.6.** Invoices submitted by the Executive Director, shall be approved by the President, or in the President's absence, the Vice-President.

**2.2.7.** Within any given quarter, Budget Managers are not permitted, except with the specific pre-approval of the Treasurer, to expend more than the forecasted amount for the particular line item within that quarter. Funds may not be moved between line items without permission from the Treasurer.

**2.2.8.** Budget Managers may not authorize payment of any invoices that fall outside of approved budget line items. Any exception to this rule requires the written approval of the Treasurer.

**2.2.9.** The Treasurer must approve any expenditure which would reduce the checking balance below a Board established minimum reserve amount. Financial Services shall not pay such expenditure without the explicit approval of the Treasurer. The Treasurer is responsible for conveying this limit to Financial Services.

### **3. Controls and Oversight.**

**3.1. Finance Committee.** The Finance Committee reviews the appropriate budgets, monthly financial statements, quarterly forecasts prior to presentation to the Board, and other needed financial matters. The Finance Committee consists of three (3) Board members (one of whom must be a Leadership Council representative on the Board), plus the Treasurer, and the Executive Director. The Finance Committee is chaired by the Treasurer.

**3.2. Budget Preparation Committee.** The Budget Preparation Committee (BPC) helps prepare the annual budget for submission to the Board. The BPC consists of representatives of the Leadership Council, the Treasurer, and the Executive Director. The Leadership Council shall determine how many Leaders to appoint to the Budget Preparation Committee. At least one of the Board of Trustee representatives on the Leadership Council must be included. The BPC is chaired by the Treasurer.

**3.3. Financial Services.** An independent Certified Public Accounting firm shall be contracted to perform Financial Services for Kantara Initiative. Financial Services will manage all Accounts Payable and Accounts Receivable in accordance with this Finance Policy. An annual audit is required, and finance staff shall be properly bonded.

**3.3.1.** Financial Services is the sole party authorized to write checks or otherwise distribute funds for Kantara Initiative.

**3.3.2.** Financial Services shall not pay any expenses without the appropriate approvals as detailed in the "Approval Authorities" section of this Finance Policy.

**3.4. Membership List.** An official Kantara Initiative membership list will be maintained on behalf of the Board, showing date of Agreement signature, first month of the Membership Year, and class.

**3.5. Member "Billing" Contact Tracking.** An up-to-date list of the "Billing" contacts for all Kantara Initiative Members will be maintained by the Membership Manager (see 5.2). This contact list will be distributed to Financial Services, the Secretary and the Treasurer whenever changes are made to the list.

**3.6. Neutral Transactions.** In any financial expenditure where Kantara Initiative Participants, Members, or Trustees are recipients of Kantara Initiative funds, the Executive Director and Treasurer must ensure that the transaction is established with arms-length, neutral considerations, always seeking the most efficient and optimal use of Kantara Initiative funds. Vendors are to be selected only if they are the best candidate to supply the service, without preference given to being a Kantara Initiative Participant, Member, or Trustee.

**3.7. Payments in Kind.** Absolutely no payments in kind are authorized without specific Board approval.

## **4. Membership Fee Invoicing**

**4.1. "Membership Year".** A "Membership Year" starts the first day of a particular month. For new Members, if the Membership Agreement is signed after the 15th of the month, the 12-month Membership Year begins on the first day of the following month. If the Membership Agreement is signed on the 15th or earlier, the Membership Year begins on the 1st day of that month. Membership benefits will be provided upon receipt of the executed Membership Agreement.

**4.2. Membership Fee Schedule.** The Board of Trustees shall establish, and modify as appropriate, a Membership Fee Schedule. All new memberships and all membership renewals shall be invoiced in accordance with the then current Membership Fee Schedule.

**4.3. Board of Trustees Fees.** If a Member chooses to upgrade membership to Trustee, the Member shall be invoiced a pro-rated amount equivalent to the difference between the current fee and the Trustee fee for the remainder of the current membership year. At membership renewal time, the Member shall then be issued an invoice for a full year Trustee fee.

**4.4. Advance Payments.** Members may make advance payments. Any such payment will be held as deferred revenue and applied to future invoices. Kantara Initiative will retain the interest received from these deposits as miscellaneous income.

**4.5. "Good Standing".** The Kantara Initiative Bylaws state that a Member not fulfilling its Annual Membership Fee obligations ("subject to a reasonable opportunity to cure") shall be in breach of the Member Agreement.

To provide further clarification, "reasonable opportunity to cure" shall mean a period of not less than 14 days after a "30 Days Past Due Notice" from the Treasurer is delivered to the Member (see "Invoicing Current Members" section of this policy). If the obligation has not been satisfied, and acceptable terms have not been arranged with the Treasurer during this period, then the Member may be determined by the Treasurer to be "**Not in Good Standing**".

**4.6. Terminations.** If the Member fails to submit payment in a timely fashion following receipt of the "Final Notice", the Board may take action as provided in the Membership Agreement to terminate the Member, or take other remedies available. Upon termination, outstanding invoices are immediately due. Refunds of paid Membership Board Fees are not provided; exceptions require explicit Board approval.

## **5. Membership Invoicing and Fee Collection**

**5.1. Membership Invoice Status Tracking Report.** A Membership Invoice Status Tracking Report will be maintained by the Membership Manager and updated on a weekly basis. It will include, at a minimum, the following:

- Member Name
- Membership Fee (membership level)
- Date of current (or next) Invoice
- Renewal Date
- Days Past Due (for members where no invoice is outstanding, this will be a negative value showing the number of days until the next invoice will be due)

**5.2. Invoicing New Members.** The Membership Manager (designated by the Executive Director) has the primary responsibility for communications regarding membership with both current and prospective Members.

For new Members, the invoice will be initiated immediately upon receipt of the new membership application.

The Membership Manager will initiate the generation of a membership invoice for the new Member.

The standard due date for the new membership fee invoice is 45 calendar days after the date of the invoice, unless other provisions are made with the Treasurer.

The Membership Manager will send the Membership Invoice to the new Member's billing representative. Copies will be sent to the Treasurer, and the Executive Director.

**5.3. Invoicing Current Members.** The renewal date for all Membership fees is the first day of the first month of the Member's "Membership Year." Membership renewal invoices are issued by the Membership Manager 60-45 days prior to the end of a Member's current Membership Year. The invoice must be received by the Member a minimum of 45 days prior to the renewal date. All Invoicing and follow-up communications will be sent by email to both the Member's "billing contact" and the Member's "primary representative." In addition, email copies will be sent to the Treasurer and Executive Director (and any delegates they may assign).

These billing communications will be sent using the following schedule:

**60-45 days before Due Date** --Renewal Invoices for all current Members whose renewal date is 60 days hence are prepared. The Renewal Invoice must include the following information:

- Billing Address of Member
- Name and email address of Billing Contact of Member.
- Invoice Number
- Invoice Date
- Due Date (Membership Renewal Date)
- Membership Level
- Invoice Amount
- Membership term (e.g. January 1, 2xxx through December 31, 2xxx)
- Information on acceptable forms of payment
- A single accounts receivable contact (Membership Manager) to whom the Member may address questions regarding the invoice.
- Contact information for Financial Services and the Treasurer.

**Minimum of 45 days before Due Date** – Membership Manager sends an electronic invoice to the designated Member contact(s). If requested by the Member, a paper copy of the invoice also will be mailed by the Membership Manager. The transmittal email must include:

- Request for acknowledgment from Member of receipt of the invoice.
- Request for verification of Member "billing contact" information.

**30 days before Due Date** – Membership Manager sends an email re-requesting confirmation of receipt of invoice if no response has been received.

**7 days before Due Date** – Membership Manager sends an email reminder that the membership fee is due in one week.

**5.4. Past Due Notices, NIGS and Terminations** Payment of Membership fees is due no later than the first day of the Membership Year. Members who do not pay on time will be subject to the following schedule and actions:

**1 day Past Due** – Email from the Membership Manager notifying the Member that payment has not been received and is now Past Due.

**30 days Past Due** - 1st notice from the Treasurer ("your payment is 30 days past due" and "we will be taking action to place you in Not-in-Good-Standing Status").

**45 days Past Due** - 2nd notice from Treasurer ("Please respond and pay immediately") notifying the Member that the Member has been declared to be "Not In Good Standing" (NIGS) and can no longer realize Member-Only benefits. This notification of being placed in NIGS will also include a FINAL NOTICE ("you have 14 days to pay or your membership will be proposed for termination by an action of the Board of Trustees").

**60 days or more Past Due** - Treasurer requests the Board vote to terminate Member.

Immediately upon Board vote to terminate, the former Member is notified in writing (email) by the Treasurer that membership in Kantara Initiative has been terminated.

For Terminations, there will be no refund of membership fees.

## **6. External Funding Process.**

One way for Kantara Initiative Work Groups and Discussion Groups (collectively "Groups") to fund an Activity is through contributions to Kantara by external parties.

**6.1. Process Overview.** Groups should follow the steps outlined below to process External Funds through Kantara for their Activity:

Group Leadership will notify the Leadership Council and Kantara Staff with information about the possible External Funding opportunity including:

1. the name(s) of the External Funder(s), if known,
2. expected process for receiving the funds,
3. anticipated amount to be received,
4. how the funds are expected to be paid out,
5. details about the Activity for which the External Funds will be used.

Kantara Staff will work with the Board of Trustees Treasurer and Group Leadership to plan how to receive and distribute the External Funds (e.g. via bank transfer, paying invoices or executed contract, etc.).

### **6.2. Process Notes for External Funding.**

5% of the External Funds will be collected by the Kantara Initiative as an administrative fee.

External Funders can ear-mark their contribution to a specific Group Activity by including a letter accompanying the contribution stating the Activity they are supporting.

There is no requirement for the Kantara Initiative to accept External Funds that are offered.

If the External Funds received exceed the amount paid out for the Activity, the Group Leadership, Kantara Staff, and Board of Trustees Treasurer will work with the External Funder(s) to determine how to manage the excess funds (e.g. return the unused portion or roll it into the Kantara general fund for redistribution).

If a Participant of the Group sponsoring the Activity is interested in receiving some of the External Funds, he/she must recuse him/herself from votes relating to the Activity.

## **7. Policy Revisions.**

1. May 29, 2009 - Version 1.0 Policy Approved by Board of Trustees
2. July 8, 2010 - Addition of External Funding Policy Approved by Board of Trustees for revision Version 1.1

<b>File</b>	<b>Modified </b>
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